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December 9, 1997

**CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

Juliet M. Schnur  
Home Office Supervisor  
Environmental Claims Department  
AIG Technical Services, Inc.  
80 Pine Street, Sixth Floor  
New York, NY 10005

Re: Potential Claim for Environmental Damage in the  
Coeur d'Alene Basin, Northern Idaho  
Insured: Group R Co., Inc.  
Policies: National Union Fire Insurance Company of Pittsburgh  
Nos.: 1224522 (8/31/77 - 8/31/78)  
9602854 (10/1/82 - 10/1/83)  
BE 1339142 (10/1/83 - 10/1/84)  
BE 1339366 (10/1/84 - 10/1/85)  
9605763 (10/1/84 - 10/1/85)  
BE 1319544 (10/1/85 - 10/1/86)  
9608620 (10/1/85 - 10/1/86)  
Granite Insurance Company  
Nos.: 66802359 (12/15/80 - 2/1/82)  
66823215 (2/1/82 - 10/1/82)  
66823775 (10/1/82 - 10/1/83)  
66823774 (10/1/82 - 10/1/84)  
66834169 (10/1/83 - 10/1/84)  
66845266 (10/1/84 - 10/1/85)

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**Insurance Company of the State of Pennsylvania**  
**No.: UXL821241 (10/1/82 - 10/1/83)**  
**Landmark Insurance Company**  
**No.: FE4002115 (10/1/84 0 10/1/85)**

Dear Ms. Schnur:

Thank you for your letters dated November 21 and December 3, 1997, in which you acknowledge notice of the above-referenced claim on behalf of National Union Fire Insurance Company of Pittsburgh, PA, Granite State Insurance Company, the Insurance Company of the State of Pennsylvania, and Landmark Insurance Company. Our responses to the questions posed in your letter follow:

1. **A complete and thorough description of the damage at the site:** The primary damage claim relates to tailings from mining and milling operations that have been deposited in an around the South Fork of the Coeur d'Alene River. Additional claims for cleanup relate to mining, milling, and smelting operations also have been made. As this matter is still in the preliminary stages, no formal or official estimate of damages has been provided to us, nor have we been provided with a formal estimate of Group R's share of damages, if any. The United States Department of Justice has advised us informally, however, that the total clean-up costs and Natural Resource Damages associated with the Coeur d'Alene Basin in Northern Idaho could reach two billion dollars (\$2,000,000,000).

2. **Any and all requests for information (and our responses) from any governmental agency regarding these matters:** Enclosed is a copy of Group R's written response to USEPA's 104(e) Request for Information. If you wish to receive copies of the documents included in that response, please contact me or Michael David Lichtenstein of this office. At this time, we have not received any notices of potentially responsible party status, demands, or orders for investigation or remediation of the site.

3. **Correspondence and documents received by or sent to the insured from any governmental agency and/or plaintiffs concerning the site:** See Group R's written response to USEPA's 104(e) Request for Information and copies of the documents sent with Group R's notice letters dated October 31, 1997. If we receive additional correspondence or information, we will forward it to you.

4. **An update as to the status of cleanup efforts at the site including reports prepared by environmental consultants or environmental engineers performing remediation at the site:** As stated above, this matter is in its preliminary stages. Currently, Group R does not have any reports responsive to this request. A number of removal actions have been conducted pursuant to two AOCs. Group R has not participated in those actions. If we obtain any additional information, we will forward it to you.

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5. Information with respect to damages at the site, cost of remediation to date, estimates of future remedial costs, and Group R's liability for damages at the site: See response to question no. 1, above.

6. Detailed information relating to the status of the legal proceeding relating to the subject claim: As we set forth in our notice letters dated October 31, 1997, on or about August 29, 1997, the United States Department of Justice and the Coeur d'Alene Tribe filed motions in the United States District Court for the District of Idaho seeking leave to amend their complaints to add Group R as a defendant and seeking contribution pursuant to CERCLA toward the cleanup costs of the Coeur d'Alene mining district in Northern Idaho as well as Natural Resource Damages. Copies of those motions were sent with our letter of October 31<sup>st</sup>. To date, those motions have not been ruled upon by the Court.

7. A schedule of insurance coverage available in this matter and contact for each carrier: As you know, this matter is still in the preliminary stages. We currently are in the process of determining our client's full insurance profile. Accordingly, we cannot provide you with this information at this time. We note, however, that this information should not be necessary for you to make a coverage determination with respect to the applicable policies referenced above and we expect that our inability to provide this information at this time will in no way delay your coverage determination.

8. Carriers who have been notified of this claim, including policy numbers, limits, effective dates, and positions asserted by any carriers, if any: On Group R's behalf, we have notified all of the carriers whose policies may be triggered and of which we are aware. We have received some correspondence from some of the other carriers that we have notified, but because this matter is still in the preliminary stages, we have not yet heard from all of the insurers that have received notice of Group R's claim. As of the writing of this letter, no carrier has made a coverage determination; most of the carriers that have responded are seeking additional information or have acknowledged Group R's notice of claim and have indicated that they will respond sometime in the near future. Again, we note that information concerning other carriers should in no way effect your ability to make a coverage determination with respect to Group R's claim.

9. Any and all information and documentation upon which we are relying in seeking coverage under the above-referenced policies: Enclosed are copies of the following policies: (a) National Union policy no. 1224522 (8/31/77 - 8/31/78) and (b) Granite State Insurance Company policy nos. (i) 66802359 (12/15/80 - 2/1/82) and (ii) 66823775 (10/1/82 - 10/1/83). With respect to the other policies referenced above, we currently are working with our client to locate copies of those policies. If and when we locate copies, we will forward them to you. We request that you forward copies of relevant policies in your possession to this firm at your earliest convenience.

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10. Information and documentation regarding Group R's involvement (and the involvement of its corporate predecessors) with the site, dates of involvement, operations performed at the site, substance or materials involved in those operations, and the manner of their disposal: See Group R's written response to USEPA's 104(e) Request for Information.

11. Any other information that may assist you in handling this matter:  
None at this time.

We will continue to keep you updated with respect to the progress of this matter and look forward to receiving a timely coverage determination.

If you have any questions, or require any additional information, please do not hesitate to contact me or Michael David Lichtenstein of this office.

Very truly yours,

  
David M. Wissert

DMW:dmw

Enclosures

cc: Michael David Lichtenstein, Esq. (w/o encls.)

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